1973 the year in review

agf

Head Office: 50th Floor, Toronto Dominion Bank Tower, Toronto, Canada M5K 1E9
Auditors: Price, Waterhouse & Co.
Registrar and Transfer Agent: Guaranty Trust Company of Canada

agf management limited

Our purpose is to provide our clients with proficient asset management in the broadest sense.

- we are committed to serving the needs of the widest range of clients — individuals, corporations, associations and governments.
- we provide our clients with the means of achieving a diversity of investment objectives: from safety of capital, through high income, to aggressive growth in capital.
- we strive to serve our clients' needs by,
  - attracting and motivating talented and capable personnel
  - structuring our activities to achieve efficiency
  - diversifying our activities geographically from Canada and the United States to Europe and Japan
  - utilizing advanced techniques in the performance of our responsibilities
  - combining alert flexibility with solid continuity
- we conduct our affairs to meet the highest standards of integrity.

Assets under administration exceed $600,000,000.

Letter from the Chairman

The stock markets of every country were affected by the turbulent events of 1973. There were so many important events, it is worth recalling just a few: peace in Vietnam; higher business activity and record profits; our dollar along with the U.S. dollar devalued; Watergate; abnormally high interest rates; and the Yom Kippur War with the ensuing energy crisis. The rate of inflation, already a problem at the beginning of the year increased as the year progressed with food prices and energy costs rising dramatically.

All of our Funds fulfilled their special roles but it was a difficult year in which to achieve superior performance in every market. Of special note was the growth of the market in Canada for secure, stable, high income investments and as a result Canadian Trusteed Income Fund prospered with a very substantial increase in assets.

It was a busy year for the Company, particularly because of the integration and consolidation of the corporate acquisitions made in 1972. All personnel deserve praise for their effective contributions to the tasks of meshing independent structures and practices into one effective system. The sales personnel also deserve commendation for performing their responsibilities under often uncertain conditions.

We wish to report the resignation of Mr. Stanley Randall as a director and to thank him for his several years of service while on the board of the Company. His replacement is Mr. Walter Keyser who is President of Heitman Financial Services Ltd. We welcome particularly Mr. Keyser's broad experience in both the financial and real estate industries.

Lastly, as part of the continued expansion of the Company, we have made certain executive changes. I have become Chairman, Mr. Goldring has become President, Mr. Gray has been appointed Senior Vice President, joining Mr. Sutherland who is also a Senior Vice-President. Eight new Vice-Presidents were appointed whose names and responsibilities appear later in this report.

On behalf of the Directors — W. Allan Manford

February 21, 1974

Letter from the President

In the year under review our gross revenue increased from \$6,163,594 to \$8,871,830 reflecting primarily the corporate acquisition of the three organizations announced at the end of 1972. Not surprisingly the costs of integration of these organizations, particularly Canadian Security Management Ltd., have been heavy but of a non-recurring nature and have been absorbed largely in the 1973 fiscal year. For example, the thirty thousand client accounts of Canadian Security Management Ltd. had to be switched to the Company's computer structure. Other major costs were incurred in the integration of the branch offices of A.G.F. Management and Canadian Security Management and while there is some small residual liability for rents, nearly all the excess branch office space has been eliminated.

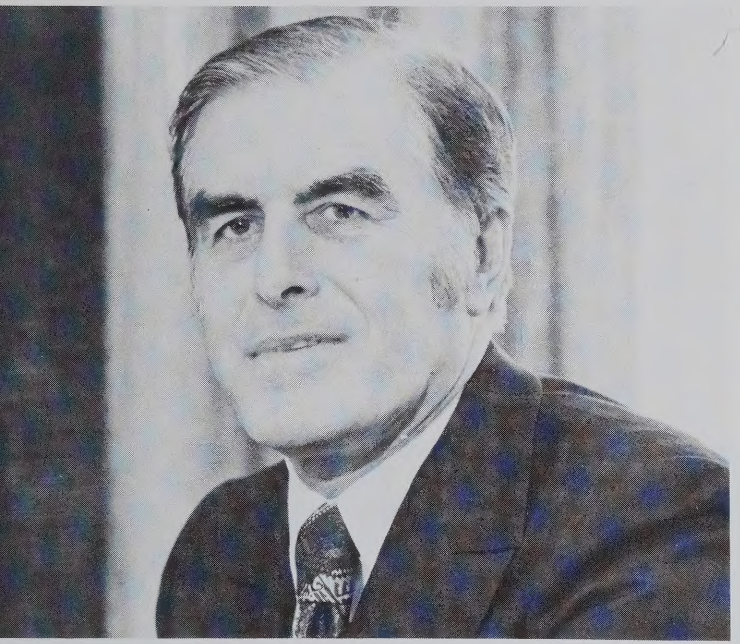
The integration of the business of Loomis, Sayles & Company (Canada) Ltd. into agf Toronto Investment Management, Inc. was not of the same magnitude in terms of administrative work but the melding together of different systems and procedures presented certain problems which were resolved satisfactorily. We continued to develop the internal administrative machinery to integrate our three offices, Montreal, Toronto and Vancouver into one truly national investment counsel operation.

Largely as a consequence of the acquisitions, working capital declined \$349,924 to \$1,806,809. In relation to last year's earnings which were 39c per share, dividends totalling 31c were declared and paid — 16c in June, and 15c in January, 1974.

Looking to the future we have considerable confidence. There has been a tremendous growth in money supply and this shows every indication of continuing. One consequence is that corporations, financial institutions, unions and individuals have more assets which must be managed. Another consequence is that the proficient management of these assets is a more difficult job in view of inflation, unpredictable events, and keen competition between nations, among industries as well as between companies.

This means that the market for services provided by the Company is growing rapidly. The personnel of the Company are experienced and capable. We are confident that the Company is well situated to achieve excellence in asset management and to meet the competitive demands of the market place.

February 21, 1974 — C. Warren Goldring



Chairman of the Board

President

Directors and Senior Officers of agf management limited

Directors

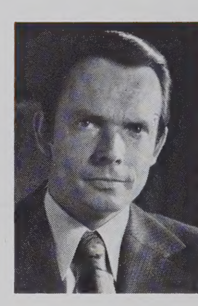
W. A. MANFORD
Chairman of the Board

C. W. GOLDRING
President

G. B. SUTHERLAND
Senior Vice-President

K. J. GRAY
Senior Vice-President

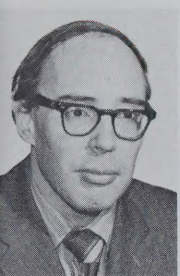
R. LAW, Q.C.
Partner, Blackwell, Law, Treadgold & Armstrong



W. A. KEYSER
President, Heitman Financial Services Ltd.

C. H. OTTO
President, agf Montreal Investment Management Inc.

Vice-Presidents



W. D. CAMERON
Portfolio Manager
—U.S. Securities

W.R.FARQUHARSON
Portfolio Manager
—Canadian Equities

H. R. HUTCHISON
President,
agf Toronto Investment Management Inc.

W. F. KEATING
Administration and Systems

T. B. LAILEY
President,
AGF Securities Inc.

I. A. SHAW
Treasurer

E. A. WALKER
President,
Canadian Gas and Energy Fund Ltd., AGF Japan Fund Ltd., Canadian Security Growth Fund Ltd.

D. G. PITTET
Secretary

Professional Investment Counsel

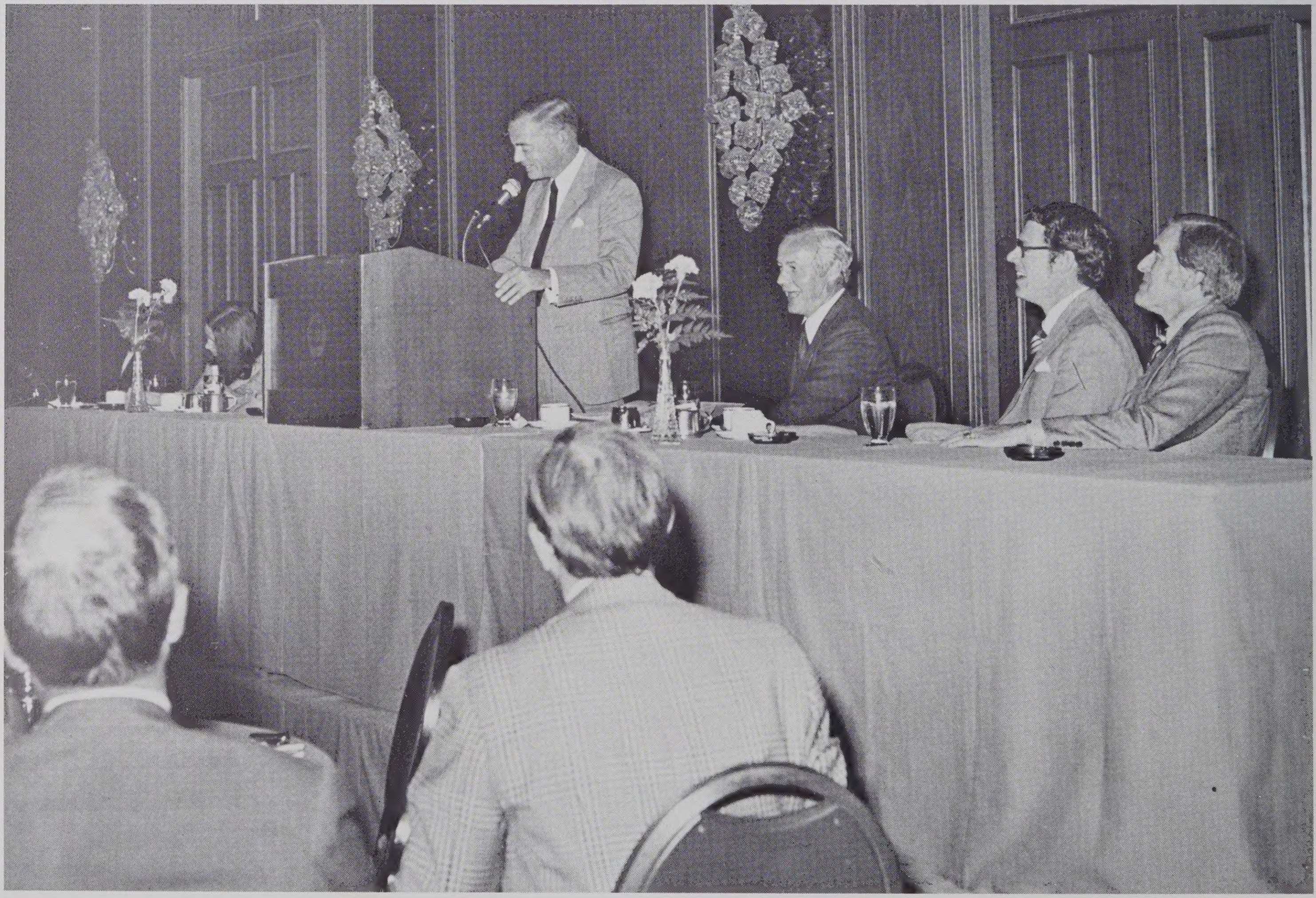
Good investment results are what every fund requires. To achieve good investment results, emphasis is placed on proper portfolio structure, relevant economic analysis and thorough industry and company research.

Investment decisions are based upon the composite knowledge and judgement of an experienced group as well as the personal skills of the investment counsellor. Aided by modern equipment and proven techniques, recommendations are made to adjust portfolio strategy as change occurs.

Few asset management organizations can claim to have as many well qualified and experienced portfolio managers. The Company has a team of professional managers with high academic qualifications and an average length of experience in their field of more than ten years.

The objectives of our clients cover the spectrum from maximum income consistent with preservation of capital to an emphasis on asset appreciation. Counselling is provided on a wide range of investment opportunities — from government debt securities to real estate and from strictly Canadian portfolios to those including securities traded in Tokyo, New York and elsewhere.

Last fall, the Company sponsored its second annual Money Management Seminar. "Pension Fund Investment — What Now?" was the topic of discussion attended by more than 250 pension fund administrators and trustees. Shown below are the members of the head table at the Seminar Luncheon where Mr. William P. Wilder, Chairman, Arctic Gas Study Limited addressed the audience on "Investment Opportunities of Northern Development". *Below, from left to right: Mr. Wilder, C. Warren Goldring, Richard M. Thomson, President, The Toronto-Dominion Bank, W. Allan Manford.*



Information is essential to effective decision-making. Supplementing the Company's internal resources, information is provided by a network of selected analysts across Canada, throughout the United States and in Japan. Research files are maintained on over 1,000 Canadian and many foreign corporations. Modern technology is used to make productive use of vast quantities of information and to simulate investment related circumstances. The objective is to provide up-to-date information to the investment counsellors leaving them free to concentrate on applications which are profitable to our clients.

Pictured above are two investment counsellors in the Vancouver office, Blair Culter and Peter F. Cundill, President, agf Vancouver Investment Ltd.

Pictured above from left to right are Margaret Davidson, Vice-President, and Investment Counsellors Michael Burpee and Bob Gibson, with Carl Otto, President, at agf Montreal Investment Management Inc.

Pictured above are Bill Smith, Harry Knutson, Jr., and Bob Mitchell, Vice Presidents of agf Toronto Investment Management Inc.

The necessary screening and condensing is accomplished by a carefully designed system of internal reports, which are organized into a personal desk-top source of information and guidance for each counsellor. Some of these reports become formal publications in their own right, such as the Investment Policy Notes, Monthly Forecast of Mortgage Rates, Earnings and Appreciation Potentials, and Canadian Profits Analyst.

Communication with clients is emphasized. Investment counsellors meet with their clients at least quarterly and are in touch with them between meetings by letter and telephone.

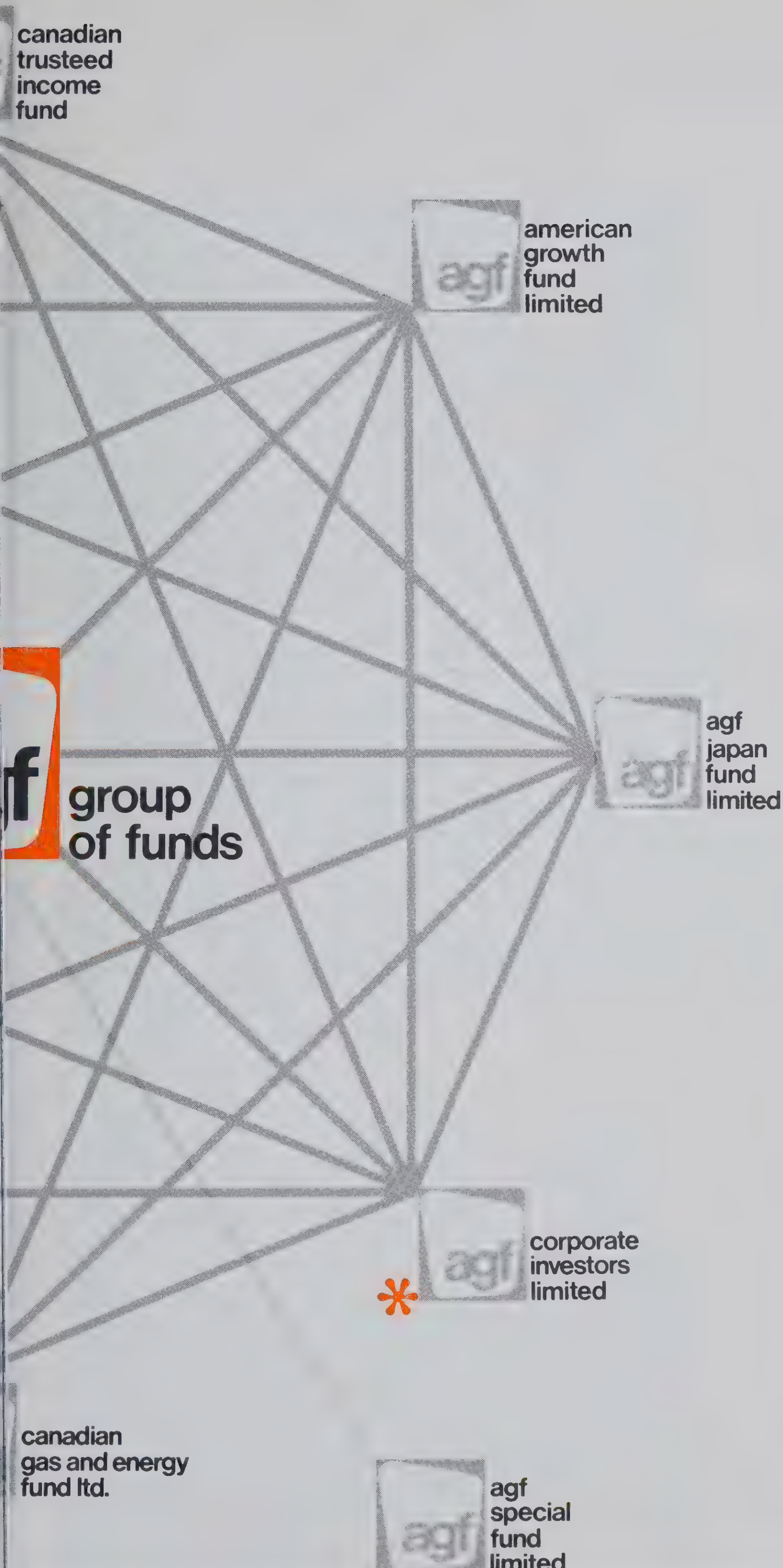
The Company provides investment management to individuals, companies, pension funds and government agencies through three subsidiaries — agf Montreal Investment Management Inc., agf Toronto Investment Management Inc., agf Vancouver Investment Management Ltd. These Companies also provide advisory services to the investment managers of large trusteed and corporate funds.

With offices in Montreal, Toronto and Vancouver, each client enjoys the advantages of local attention and benefits from the resources of the entire organization.

Unique Mutual Funds

- Geographical Range
  The AGF Group of Funds provides investment participation in the economies and securities markets of Canada, the United States, and Japan.
- Choice of Investment Objective
  Through the use of one or more of the eight mutual funds investors can select an investment program tailored to a specific objective — from high income and stability of capital through to a prime emphasis on growth of capital.
- Flexibility through Exchange Privilege
  Shareholders can adapt to changing investment objectives or market conditions by exchanging, where applicable, into another fund without sales charge.
- Purchase Plans
  The wide range of purchase plans is designed to accommodate every type of investor — lump sum cash investments, voluntary plans for periodic investment, systematic plans for monthly investment, withdrawal plans to provide a regular cash flow, registered retirement savings plans and corporate tax shelter plans.

Portfolio Managers Richard Whiting and Bill Cameron



The Company's broad range of mutual funds are marketed across the country through a network of authorized investment dealers. At the year end the Company's services were represented in every province by over two thousand securities salesmen through more than 100 securities dealers.

Mutual Fund Sales for the year were good compared to those of the mutual fund industry. Throughout the year, we estimate that gross sales through investment dealers averaged 70% of the total investment dealer sales for all mutual funds sold in Canada.

An increasingly important component of the Company's total mutual funds sales picture is the steadily growing share of sales to institutional investors. Over one hundred of Canada's leading institutions are shareholders in one or more of the Company's nine mutual funds — shareholders who now include: corporations, trade and labor unions, banks, religious institutions, universities, provincial and municipal government pension funds, profit sharing plans and life insurance companies.

Such professional and institutional endorsement of the Company's unique package of mutual funds and the management techniques it employs is a vital factor in today's highly competitive market.

* **Tax Saving Programs**
These 6 AGF Funds are Government approved for Registered Retirement Savings Plans. Investors can deposit up to $4,000 annually and deduct this entire amount from otherwise taxable income.

Direct Sales

The Company, together with its subsidiary, Canadian Security Management Limited, maintains its own direct sales organization in selected areas throughout the country. Comprised of career men and women, they represent the agf group of funds exclusively and provide a specialized financial planning service for their clients. In certain provinces this service also includes a full range of life insurance programs. Each of the branch sales offices are fully staffed to provide efficient and courteous service.

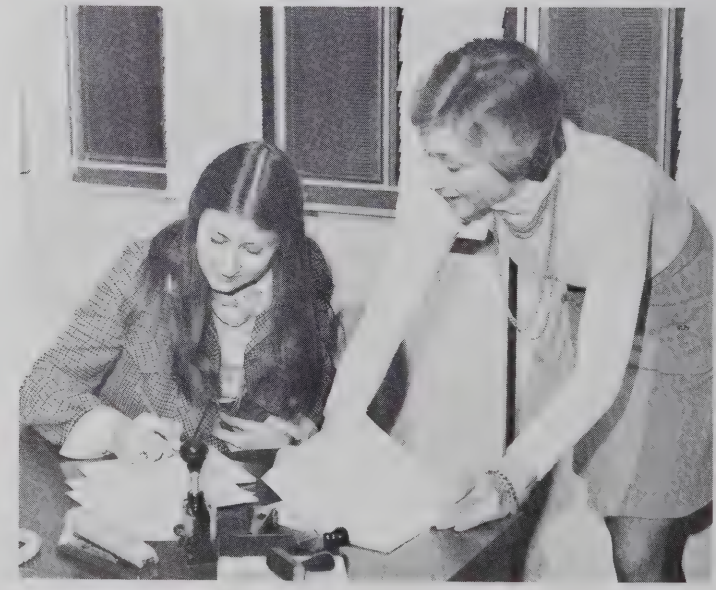
An example of local sales branches is the Vancouver office headed by Donald A. Nash, General Sales Manager for British Columbia. Mr. Nash has recently been appointed Vice-President, Direct Sales of the Company and will assume the responsibilities of his new position at the Company's Head Office in Toronto.

At the Vancouver Branch, above from left to right are: Vic Page, Bill Elliott, Roy Curnick, Peter Nash, and Donald Nash.

Service & Communication

To maintain complete records for some 100,000 mutual fund clients the Company uses the latest record keeping and communication techniques available.

Pictured here assigning enquiries from the control monitor are Martha White, Manager, Shareholder Relations Department and Lesia Masney, Supervisor.



Financial Consulting Services

At left, John Elder, Vice President and Ralph Powell, President, AGF Fiduciary Counsel Limited.

AGF Fiduciary Counsel Limited provides specialized Consulting services to corporations, trade and professional associations and unions. The company designs and implements various types of supplementary savings and retirement plans in conjunction with consulting actuaries. Such plans may use mutual funds, investment counsel or both. The spiralling costs of providing adequate basic pension programs for their employees on one hand and the increased expectations of employees and unions in the way of flexibility and portability on the other, prompt more and more companies to add Deferred Profit Sharing Plans,Group Registered Retirement Savings Plans and Thrift-Savings Plans to their total benefit package. These supplemental plans provide the opportunity for employees to increase their retirement income at less overall cost.

Surveys point to a rapid growth in plans of this type during the next few years. AGF Fiduciary Counsel is well prepared to meet the demand for these services.

Brokerage Facilities

Verna Rix and Tom Lailey, President, AGF Securities Inc.

Prompt and efficient execution of securities transactions is essential to proper asset management. In the United States many leading insurance companies, mutual fund companies and even a State (Connecticut) have acquired seats on various stock exchanges to ensure efficient economical security transactions. In this competitive environment AGF Securities Inc. is one of the most efficient brokers through its seats on the Pacific Stock Exchange in Los Angeles.

In the spring of 1975 it is expected that all commissions on security transactions in the U.S. will become negotiable which will introduce a new factor in this very complex business, making it all the more important that major asset managers seek and find the right execution relative to its cost.

AGF Securities Inc. has had extensive experience in this competitive field and can be expected to play an even larger role as these new methods of trading are introduced.

agf management limited

and its subsidiaries,

CONSOLIDATED BALANCE SHEET

	November 30 1973	November 30 1972
Assets		
Current assets		
Cash and term deposits	$1,570,449	$2,567,675
Cash held in trust	97,098	436,989
Receivable for sales of mutual fund shares	3,173,925	1,223,034
Receivable for securities transactions	1,317,378	2,356,203
Other accounts receivable	540,629	199,504
Income taxes recoverable	102,945	—
Trading account securities — long, at market	30,773	310,007
Marketable securities, at lower of cost and written down value (market value $63,803; 1972 — $259,568)	61,828	257,561
Prepaid expenses	90,788	65,180
	6,985,813	7,416,153
Office furnishings, equipment and leasehold improvements, at cost less accumulated depreciation and amortization of $445,781 (1972 — $282,023)	374,415	188,958
Other assets, at cost	251,658	192,720
Excess of cost of shares of subsidiary companies over book value at dates of acquisition	1,927,383	427,748
	$9,539,269	$8,225,579

APPROVED ON BEHALF OF THE BOARD:

Director: W. A. MANFORD

Director: R. LAW

Liabilities and Shareholders' Equity

	November 30	
	1973	1972
Current liabilities		
Bank loan secured by trading account securities	$ —	$ 100,432
Payable for purchases of mutual fund shares	3,126,131	1,630,266
Payable for securities transactions	1,192,749	2,329,633
Trading account securities — short, at market	43,420	15,695
Accounts payable and accrued liabilities	786,479	601,372
Income taxes payable	—	563,297
Deferred income taxes	30,225	18,725
	5,179,004	5,259,420
Long-term debt (Note 2)		
7½ % convertible debentures	346,000	375,000
8% convertible debentures	463,500	—
	809,500	375,000
Warrant stabilization fund (Note 3)	175,434	—
Interest of minority shareholders in net assets of subsidiaries	48,040	45,398
Deferred income taxes	—	8,000
Shareholders' Equity		
Capital stock (Notes 1, 2 and 4)		
Authorized		
2,700,000 Class B non-voting participating preference shares without par value		
240,000 common shares without par value		
Issued and outstanding —		
2,039,085 Class B shares (1972 — 1,858,923 shares)	1,378,394	614,551
2,400 common shares	40	40
	1,378,434	614,591
Retained earnings (Note 5)	1,948,857	1,923,170
	3,327,291	2,537,761
	$9,539,269	$8,225,579

CONSOLIDATED STATEMENT OF INCOME

	Year ended November 30 1973	1972
Revenue		
Commissions	$4,457,950	$3,201,395
Management and investment counsel fees	4,011,384	2,412,729
Stock exchange specialist operations	53,553	122,320
Administration fees and other revenue	348,943	427,150
	8,871,830	6,163,594
Expenses		
Commissions	2,577,398	1,693,664
Selling, general and administrative	4,689,570	2,528,450
Interest on debentures	62,069	11,335
Depreciation and amortization	74,771	36,739
	7,403,808	4,270,188
Income before income taxes	1,468,022	1,893,406
Provision for income taxes		
Current	709,500	913,223
Deferred	3,500	2,525
	713,000	915,748
Net income before the undernoted items	755,022	977,658
Interest of minority shareholders in earnings of subsidiaries	21,988	23,032
Net income before extraordinary items	733,034	954,626
Extraordinary credit (charge)		
Reduction of income taxes arising from the carry-forward of losses of prior years	89,294	—
Leasehold improvements written off, less income taxes thereon of $38,000	(36,479)	—
	52,815	—
Net income for the year	$ 785,849	$ 954,626
Net income per share (Note 6)	39¢	51¢

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended November 30 1973	1972
Retained earnings at beginning of year	$1,923,170	$1,429,608
Net income for the year	785,849	954,626
	2,709,019	2,384,234
Deduct —		
Dividends on Class B and common shares —		
Ordinary 16¢ per share	322,155	—
Paid out of tax-paid undistributed surplus on hand — 20¢ per share (1972 — 14¢ per share)	373,605	260,557
1,858,173 Class A redeemable preference shares (7¢ par value) paid out of tax-paid undistributed income	—	130,072
Taxes paid to create tax-paid undistributed surplus under the Income Tax Act	64,402	70,435
	760,162	461,064
Retained earnings at end of year	$1,948,857	$1,923,170

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year ended November 30 1973	1972
Funds provided		
From operations —		
Net income for the year	$ 785,849	$ 954,626
Add (deduct) charges (credits) not affecting working capital		
Depreciation and amortization	74,771	36,739
Deferred income taxes	(8,000)	1,860
Leasehold improvements written off	74,479	—
	927,099	993,225
Issue of Class B shares —		
Cash	34,040	11,000
Acquisition of shares of subsidiary companies	720,803	—
Conversion of debentures	9,000	—
Issue of 7½% debentures	—	375,000
Increase in interest of minority shareholders in net assets of subsidiaries	2,642	17,864
Working capital assumed on acquisition of a subsidiary	—	27,921
Other	14,548	—
	1,708,132	1,425,010
Funds applied		
Purchase of office furnishings, equipment and leasehold improvements	104,743	18,176
Cost of acquisition of shares of subsidiaries	1,100,659	330,000
Reduction of 7½% debentures —		
Converted to Class B shares	9,000	—
Redeemed for cash	20,000	—
Reduction of 8% debentures	36,500	—
Working capital deficiency assumed on acquisition of subsidiaries (net)	26,992	—
Dividends —		
Cash	695,760	260,557
Class A shares subsequently redeemed for cash	—	130,072
Taxes paid to create tax-paid undistributed surplus under the Income Tax Act	64,402	70,435
Other	—	23,746
	2,058,056	832,986
Increase (decrease) in working capital	(349,924)	592,024
Working capital at beginning of year	2,156,733	1,564,709
Working capital at end of year	$1,806,809	$2,156,733

Auditors' Report

To the Shareholders of A.G.F. Management Limited:

We have examined the consolidated balance sheet of A.G.F. Management Limited and its subsidiaries as at November 30, 1973 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at November 30, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
January 11, 1974

Price Waterhouse & Co.
Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 1973

Note 1.
BASIS OF CONSOLIDATION:
The consolidated financial statements include the accounts of the Company and all of its subsidiaries.

Acquisitions during the year —
(a) On December 8, 1972 the Company acquired all of the outstanding common shares of Canadian Security Management Limited. As consideration the vendors were given warrants to subscribe for 100,000 Class B non-voting preference shares of the Company at $7.50 per share. On November 15, 1973 the Company purchased the warrants from the vendors for $42,000 cash and has attributed this amount to the cost of the common shares.

In accordance with a condition of the purchase agreement the Company made an exchange offer for all of the 1,275,000 Class A non-voting shares and 200,000 share purchase warrants of Canadian Security Management Limited. 1,169,940 Class A shares (92%) and 191,900 warrants were tendered in exchange for 166,676 Class B shares of the Company and 27,300 warrants each entitling the holder to purchase 1 Class B share at $7.50 a share. A value of $4.25 has been assigned to each Class B share issued, being the approximate market value at the time the exchange offer closed. In addition the Company purchased 13,000 Class A shares in the market for cash.
(b) Effective March 15, 1973 the Company purchased all of the issued shares of Loomis, Sayles & Company (Canada) Ltd. (now AGF Realty Limited) for $230,000 cash plus a maximum further annual consideration of $100,000 cash, payable in each of the years 1973, 1974 and 1975 in accordance with a computation of future gross annual revenues. $100,000 cash was paid in 1973. The amount of the payments required in 1974 and 1975 have not been determined and have therefore not been recorded in the financial statements.

The following is a summary of the transactions recorded in the consolidated financial statements in connection with these acquisitions:

	Canadian Security Management Limited	AGF Realty Limited
Consideration:		
Cash	$ 51,789	$330,000
Issue of Class B shares (8.9% of outstanding)	708,373	—
	760,162	330,000
Underlying net tangible assets (liabilities) acquired	(471,289)	72,313
Excess of cost of investment over net assets acquired	$ 1,231,451	$257,687

The excess of cost of investment over net assets is considered to have continuing value and will not be amortized unless the value is impaired. These acquistions have been accounted for as a purchase and accordingly the results of operations of the acquired companies have been included in the consolidated financial statements from the respective dates of acquisition of control.

The Company also acquired an additional 113 shares of G.E.F. Management Limited in exchange for 2,486 Class B shares of the Company. The excess of the cost of the investment over the related net assets acquired amounted to $10,497.

Foreign Currency —
The records of AGF Securities, Inc., a New York corporation, are maintained in U.S. dollars. The accounts have been translated into Canadian dollars for inclusion in the consolidated financial statements as follows: assets and liabilities at the rate of exchange in effect at November 30th, except fixed assets which are at rates in effect when acquired: income and expenses at average rates of exchange during the year, except depreciation and amortization which are calculated on the Canadian dollar cost of the related fixed assets. Unrealized gains on translation, which are not material, have been included in the consolidated statement of income.

Note 2.
CONVERTIBLE DEBENTURES:
(a) 7½% unsecured convertible debentures due June 30, 1977 —
These debentures are convertible into Class B shares of the Company at the rate of 1 share for each $5 of debenture principal. Holders have the right to convert 20% of the principal amount each year on a cumulative basis. During the year $9,000 principal amount was converted into Class B shares and $20,000 principal amount purchased and cancelled. At November 30, 1973, $292,500 was held by officers and/or shareholders of the Company.

(b) 8% convertible debentures of Canadian Security Management Limited (a subsidiary company) —
The 8% convertible debentures of Canadian Security Management Limited (C.S.M.) are redeemable sinking fund debentures maturing November 25, 1981. Each debenture is convertible at any time prior to November 23, 1981 into C.S.M. Class A non-voting shares on the basis of 250 shares for each $500 of debenture principal. For this purpose 250,000 Class A non-voting shares are reserved. The debentures have been issued under a trust indenture dated October 15, 1971 and are secured equally and rateably by a floating charge upon the undertaking and all the property and assets of that Company. The trust indenture provides that a sinking fund be established by C.S.M. paying to the Trustee such amount as shall be sufficient to retire $50,000 principal amount of the debentures on November 25, in each of the years 1976 to 1980 inclusive. Principal and interest payments required under the trust indenture were guaranteed by A.G.F Management Limited on December 8, 1973.

Note 3.
WARRANT STABILIZATION FUND:
Pursuant to arrangements made with the Ontario Securities Commission in 1965, funds realized by Canadian Security Management Limited from trading in Canadian Gas and Energy Fund Ltd. Series B warrants are to be used in stabilizing the warrant market and for assistance in the eventual elimination of such warrants. No part thereof is available for distribution to the shareholders of Canadian Security Management Limited.

Note 4.
CLASS B NON-VOTING PREFERENCE SHARES:
(a) Stock Options —
As at November 30, 1973 options to purchase 48,600 Class B shares were outstanding at prices between $3.40 and $5.00 per share, including 23,200 shares granted to directors and officers.

During the year ended November 30, 1973 options on 9,200 shares were exercised for a total cash consideration of $34,040. No options were either granted or terminated during the year.
(b) Warrants —
During the year the Company issued 127,300 warrants (see Note 1), which entitle the holders to purchase one Class B share of the Company for each warrant at a price of $7.50 per share at any time up to December 31, 1977. As at November 30, 1973, 127,300 warrants were outstanding of which 102,173 were held by the Company for cancellation.

Note 5.
RETAINED EARNINGS:
Approximately 57% of the consolidated retained earnings relates to A.G.F. Securities Inc., a U.S. Corporation. Dividends received by the Company from A.G.F. Securities Inc. would be subject to U.S. withholding tax of 15% which would not be recovered as a reduction of Canadian Income Taxes.

Note 6.
EARNINGS PER SHARE:

	Year ended November 30 1973	1972
Earnings per Class B and common share —		
Net income before extraordinary items	36¢	51¢
Extraordinary items	3	—
Net income for the year	39¢	51¢
Fully diluted earnings per Class B and common share —		
Net income before extraordinary items	35¢	50¢
Extraordinary items	2	—
Net income for the year	37¢	50¢

Fully diluted earnings per share have been calculated assuming the conversion of debentures and the exercise of outstanding share purchase warrants and options. Earnings have been increased by the interest on the debentures and by imputed income less income taxes on the funds that would be derived from the exercise of the warrants and options.

Note 7.
REMUNERATIONS OF DIRECTORS AND SENIOR OFFICERS:
During the year ended November 30, 1973 a total of eleven directors and senior officers received direct remuneration totalling $260,512 as compared with $273,442 for thirteen directors and senior officers during the prior year.

Note 8.
INCOME TAXES:
As at November 30, 1973 a subsidiary company had the following amounts available to offset against future taxable income which have not been recorded in the accounts:

Losses for income tax purposes expiring —	
1975	$ 98,000
1977	560,000
	658,000
Excess of undepreciated capital cost of fixed assets for income tax purposes over net book value	268,000
Amounts charged against income in the accounts not yet claimed for income tax purposes	63,000
	$989,000

Note 9.
FUTURE COMMITMENTS:
(a) Long-term leases —
The company is committed under two long-term leases for office premises expiring December 31, 1977 and January 31, 1988, which require annual rental payments of approximately $45,000 and $203,000 respectively.
(b) Pension liability —
As at November 30, 1973 the Company had an unfunded pension liability of approximately $76,000 which is being funded by annual payments of $6,784 to 1989.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